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7 UNITED STATES DISTRICT COURT
8 WESTERN DISTRICT OF WASHINGTON
9 AT SEATTLE

10 PACIFIC BIOSCIENCE
11 LABORATORIES, INC.,

12 Plaintiff,

13 v.

14 PRETIKA CORPORATION,

15 Defendant.

CASE NO. C10-0231JLR

ORDER GRANTING MOTION
TO STAY

16 **I. INTRODUCTION**

17 This matter is before the court on Defendant Pretika Corporation's ("Pretika")
18 motion to stay this litigation pending the *ex parte* reexamination of numerous claims of
19 United States Patent No. 7,320,691 ("the '691 patent") by the United States Patent and
20 Trademark Office ("USPTO"). (Mot. (Dkt. # 29) & Praecipe (Dkt. # 31).) The court has
21 considered Pretika's motion, all submissions filed in support and opposition to the
22 motion, as well as the pleadings on file. The court also heard the argument of counsel on

1 January 7, 2011. For the reasons stated below, the court GRANTS Pretika's motion for
2 a stay (Dkt. # 29).

3 II. FACTUAL AND PROCEDURAL BACKGROUND

4 This is a patent infringement case. Plaintiff Pacific Bioscience Laboratories, Inc.
5 ("PBL") develops and markets sonic facial brush devices under its Clarisonic line of
6 products. (Resp. (Dkt. # 34) at 2). Pretika markets and sells an allegedly competing
7 device known as the SonicDermabrasion Facial Brush. (*See* Mot. at 2.) PBL alleges that
8 Pretika's SonicDermabrasion Facial Brush infringes its '691 patent. (Compl. (Dkt. # 1)
9 at ¶¶ 14-23.)

10 The application that ultimately issued as the '691 patent was filed on January 15,
11 2003. (Mot. at 3.) In December 2006, PBL asserts that it formally notified Pretika that
12 PBL owned several utility patent applications having claims that read on the Pretika
13 SonicDermabrasion device. (Resp. at 4.) On January 22, 2008, the USPTO issued the
14 '691 patent, which has been assigned to PBL. (Compl. at ¶ 11.) However, it was not
15 until February 8, 2010, more than three years following PBL's first notification to Pretika
16 of alleged infringing activity, and nearly two years following the issuance of the '691
17 patent, that PBL filed suit for patent infringement against Pretika. (*See* Compl.) PBL did
18 not serve its complaint on Pretika until March 12, 2010. (Affid. of Serv. (Dkt. # 7).)

19 Pretika sought reexamination of the '691 patent on May 14, 2010 (approximately
20 two months following service of the complaint), and again on June 25, 2010. (*See* Resp.
21 at 7, n.1 & n.2.) However, in both of these instances, Pretika's submissions were rejected
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1 by the USPTO because they did not comply with certain requirements.¹ (*Id.*)
2 Nevertheless, Pretika promptly amended its submissions, and in August 2010, submitted
3 a facially complete reexamination request to the USPTO. (Resp. at 7.) On September
4 30, 2010, the USPTO granted Pretika's request for *ex parte* reexamination of the '691
5 patent. (Mot. at 1; USPTO Order (Dkt. # 28-1).) One week later, on October 7, 2010,
6 Pretika filed its present motion seeking a stay of these proceedings.

7 In its order granting Pretika's reexamination request, the USPTO found that prior
8 art that had never been cited to or considered by the USPTO during the prosecution of the
9 original patent application at issue here raised "[a] substantial new question of
10 patentability." (*See* USPTO Order at 4.) The reexamination order encompasses all of the
11 claims of the '691 patent that PBL asserts against Pretika in this litigation. (*Id.*; Mot. at
12 1.)

13 The parties have engaged in some, but not extensive discovery. Both sides have
14 served and answered interrogatories and requests for production. (Resp. at 5.) Pretika
15 propounded only nine discovery requests. (Reply (Dkt. # 39) at 5.) Both sides have
16 exchanged invalidity and infringement contentions, as well as claim terms for
17 construction during the *Markman* hearing. (Resp. at 5.) Pretika's invalidity contentions
18 include the same allegations set forth in the reexamination requests. (Reply at 5.) Pretika
19 also issued two third-party subpoenas related to the prior art identified in the

21 ¹ Pretika followed both of these submissions to the USPTO with corresponding motions
22 to stay these proceedings, but withdrew the motions when the USPTO rejected its submissions.
(*See* Resp. at 7, n.1 & n.2; Mots. to Stay (Dkt. ## 12 & 18); Withdrawals (Dkt. ## 17 & 21).)

1 reexamination request, as well as to Pretika's investigation of possible inequitable
2 conduct on the part of PBL. (Reply at 5.) No party has scheduled any depositions. (*Id.*)
3 The *Markman* hearing has not yet been conducted, and no briefing related to the hearing
4 has been filed. The trial is not set to commence until November 14, 2011. (*See* Sched.
5 Order (Dkt. # 23).)

6 **III. ANALYSIS**

7 A district court has the discretion to stay judicial proceedings pending
8 reexamination of a patent by the USPTO. *See Amado v. Microsoft Corp.*, 517 F.3d 1353,
9 1358 (Fed. Cir. 2008); *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988).
10 In determining whether to grant a stay pending reexamination, the court considers: (1)
11 whether a stay will simplify the issues in question and the trial of the case, (2) whether
12 discovery is complete and whether a trial date has already been set, and (3) whether a
13 stay will unduly prejudice or present a clear tactical disadvantage to the non-moving
14 party. *Wre-Hol, LLC v. Pharos Science & Applications*, No. C09-1642 MJP, 2010 WL
15 2985685, at *2 (W.D. Wash. July 23, 2010).

16 **A. Simplification of the Issues**

17 Pretika asserts that, based on the strength of the prior art, there exists a high
18 likelihood that the USPTO will cancel or significantly amend the claims at issue in the
19 '691 patent. (*See* Mot. at 9.) Pretika also cites statistics published by the USPTO which
20 demonstrate that in over 75% of cases in which reexamination requests are granted,
21 claims are either changed or cancelled. (*Id.* (citing Scott Decl. (Dkt. # 30) Ex. 13.)
22 Pretika argues that because it is likely that at least some of the claims at issue here will be

1 cancelled or amended, the simplification factor weighs in favor of a stay. In response,
2 PBL asserts that to satisfy this factor the outcome of a reexamination must finally resolve
3 all issues in the litigation. (Resp. at 9.) Therefore, in PBL's view, a stay is not warranted
4 because "[t]here is a nearly one-in-four chance that all of the claims of the '691 patent
5 will emerge from reexamination unchanged," and an only 12% chance that all of the
6 claims will be cancelled. (*Id.* (citing Harlow Decl. (Dkt. # 36) Ex. H).)

7 First, the court rejects PBL's assertion that satisfaction of the simplification factor
8 requires the elimination of all issues in the litigation.² If PBL's position were correct,
9 then based on the statistics PBL cites, this factor could never be satisfied, and that reality
10 is not reflected in the case law. Stays have been granted in numerous cases where
11 reexamination would likely simplify, but not eliminate, all issues in the litigation. *See*
12 *e.g. Implicit Networks, Inc. v. Advanced Micro Devices, Inc.*, No. C08-184JLR, 2009 WL
13 357902, at *2 (W.D. Wash. Feb. 9, 2009) ("Based solely on the statistics, [Plaintiff] is
14 right that there is a low likelihood that all claims will be cancelled; however, it ignores
15 the greater than 50% chance that there will be some claim modification."); *Brass Smith,*
16 *LLC v. Advanced Design Mfg. LLC*, No. CV 10-4945 PSG (FFMx), 2010 WL 5363808,

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18 ² In support of its position, BPL cites *Yodlee, Inc. v. Ablaise Ltd*, No. C-06-07222 SBA,
19 2009 WL 112857, at *4 (N.D. Cal. Jan. 16, 2009). (Resp. at 9.) The court first notes that
20 California federal district court authority is not binding here. Further, cases relying on *Yodlee* or
21 similar authority have been distinguished on grounds that they involve claims unrelated to patent
22 infringement that would need to be tried regardless of the USPTO's reexamination decision or
because the USPTO had previously confirmed the majority of claims at issue. *See Network*
Appliance, Inc. v. Sun Microsystems, Inc., No. C-07-06053 EDL, 2010 WL 545855, at *3 (N.D.
Cal. Feb. 11, 2010). These circumstances are not present here. However, to the extent *Yodlee*
stands for the broad proposition advocated by PBL, the court finds that it is not within the
mainstream of federal authority which looks to a mere simplification of the case and not to final
resolution of all issues. *See infra* § III. A. at 6 (citing cases).

1 at *1 (C.D. Cal. Dec. 20, 2010) (“Cancellation of some . . . of the claims would obviously
2 streamline . . . the litigation.”); *Interplast Group, Ltd. v. Coroplast, Inc.*, No. 4:08-CV-
3 1413 CAS, 2009 WL 1774313, at *2 (E.D. Mo. June 23, 2009) (“The Court believes that
4 a stay will simplify the issues and facilitate trial of the case, even though not all of the
5 issues raised in [the defendant’s] counterclaims can be raised in the reexamination
6 process.”); *Constellation IP, LLC v. The Allstate Corp.*, No. 5:07-CV-132 (LED), 2008
7 WL 4787625, at *3 (E.D. Tex. May 12, 2008) (“As noted by the Federal Circuit,
8 reexamination may result in the elimination of most, if not all, of the issues remaining in
9 the pending litigation.”) (citing *Gould v. Control Laser Corp.*, 705 F.2d 1340 (Fed. Cir.
10 1983)).

11 Because there is a greater than 75% chance that some of the claims will emerge
12 from reexamination either changed or cancelled (*see* Mot. at 9 (citing Scott Decl. Ex.
13 13)), and because all of the claims of the ‘691 patent at issue in this litigation are subject
14 to the USPTO’s reexamination (Mot. at 1), it is likely that at least some of the claims will
15 be altered or cancelled. If the court were to allow the case to proceed, there is a
16 substantial risk that both the court and the parties will needlessly expend valuable
17 resources in determining the validity of patent claims that are ultimately cancelled or
18 amended by the USPTO. *See Implicit Networks, Inc. v. Advanced Micro Devices, Inc.*,
19 No. C08-184JLR, 2009 WL 357902, at * 2 (W.D. Wash. Feb. 9, 2009); *Aten Int’l Co.,*
20 *Ltd. V. Emine Tech. Co., Ltd.*, No. SACV09-0843, 2010 WL 1462110, at *7 (C.D. Cal.
21 Apr. 12, 2010) (“Because [the vast majority] of patents being reexamined change in some
22 way . . . the Court risks enabling futile litigation that may have to be repeated if the patent

1 changes.”). Even if some or all of the claims are confirmed, the court would still have the
2 benefit of the USPTO’s analysis of the disputed claim terms in ruling on claim
3 construction. *See SKF Condition Monitoring, Inc. v. SAT Corp.*, 2008 WL 706851, at *7
4 (S.D. Cal. Feb. 27, 2008) (the USPTO’s “expert evaluation” and “understanding of the
5 claims” is “also likely to aid this Court in the preliminary process of claim construction”).
6 The reexamination will have a significant impact on the issues in this case, regardless of
7 outcome, and thus the court finds that this factor weighs in favor of granting the stay.

8 PBL’s assertion that Pretika intends to move to amend its answer to add
9 counterclaims, including one for inequitable conduct, does not change the court’s
10 analysis here. First, the court notes that no such motion is presently pending. However,
11 even if Pretika were to seek to add such counterclaims, reexamination is still likely to
12 narrow the issues or result in useful analysis for the court with regard to claim
13 construction. The patent claims at issue in this case could be confirmed, limited, or
14 cancelled during reexamination. As a result, depending on the outcome, Pretika may
15 reevaluate its need for certain counterclaims. (Reply at 4-5.) In short, because there is no
16 present counterclaim for inequitable conduct, and because it is uncertain that one will
17 ever be alleged, the court does not find that this issue outweighs the benefits of
18 potentially simplifying the patent issues in this case, and obtaining the benefit of the
19 PTO’s analysis, that will be gained if a stay is entered.

20 Finally, PBL asserts that a stay would not simplify the issues because if the *ex*
21 *parte* reexamination confirms the ‘691 patent claims, Pretika will still be allowed to raise
22 the same patent invalidity arguments again in this litigation – obtaining a proverbial

1 second bite of the apple. (Resp. at 10.) PBL is correct in this regard.³ Nevertheless,
 2 although the ability to litigate patent invalidity once the stay is lifted does reduce the
 3 potential for simplification, the benefits of simplification still accrue for any claims that
 4 the USPTO cancels or amends, *Heraeus Electro-Nite Co. v. Vesuvius USA Corp.*, No. 09-
 5 2417, 2010 WL 181375, at * 2 (E.D. Pa. Jan. 11, 2010), and PBL ignores the statistics
 6 that significantly favor this outcome with regard to at least some of the claims. Further,
 7 the cancellation or amendment of some of the claims may also alter or have a simplifying
 8 effect on Pretika's invalidity assertions based on prior art. *See e.g. Progressive Cas. Ins.*
 9 *Co. v. Safeco Ins. Co.*, No. 1:10 CV 1370, 2010 WL 4699870, at *4 (N.D. Ohio Nov. 12,
 10 2010). Finally, regardless of the outcome of the reexamination, the court will
 11 nevertheless have the benefit of the USPTO's expertise, analysis of the '691 patent
 12 claims, and evaluation of the relevant prior art. *See Ethicon*, 849 F.2d at 1428; *see also*
 13 *Gould*, 705 F.2d at 1342. Indeed, the patent reexamination procedure was intended to

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 15 ³ In an *inter partes* proceeding, a third-party that requests reexamination can file written
 16 comments with the USPTO addressing the patent owner's arguments. 35 U.S.C. § 314(b)(2); *see*
 17 *also Wabco Holdings, Inc. v. Bendix Commercial Vehicle Systems, LLC*, No. 09-3179 (DMC),
 18 2010 WL 2628335, at *2 (D.N.J. June 28, 2010). As a result, the third-party in an *inter partes*
 19 proceeding is estopped from asserting, in a later civil action, the invalidity of any of the claims
 20 that the USPTO deems valid. 35 U.S.C. § 315(c). However, in an *ex parte* proceeding a third
 21 party is not allowed to present its side of the case; only the patent holder is involved in the
 22 proceeding. *Wabco Holdings*, 2010 WL 2628335, at *2; *see* 35 U.S.C. § 305. Therefore, a
 defendant is not estopped from challenging patent validity in a future civil action following an *ex*
parte reexamination. *Wabco Holdings*, 2010 WL 2628335, at *2. "If Congress had thought that
 a third-party requester in an *ex parte* reexamination would receive two bites of the apple by
 being allowed to assert invalidity arguments in a later patent infringement suit, then it could have
 estopped the party in the same way that it does for *inter partes* reexaminations. Congress chose
 not to." *Wabco Holdings*, 2010 WL 2628335, at *2. Instead, "Congress countenanced a scheme
 in which a patent's validity may come under attack in both a courtroom and the [US]PTO."
VData, LLC v. Aetna, Inc., No. 06-1701 JNE/SRN, 2006 WL 3392889, at *5 (D. Minn. Nov. 21,
 2006).

1 provide federal courts with the benefit of the USPTO's expertise. *Id.* Accordingly, the
2 court finds that, despite the possibility that Pretika may have a "second bite" with regard
3 to some patent invalidity arguments, the simplification factor still weighs in favor of
4 granting a stay.

5 **B. Stage of Litigation**

6 Although the parties have engaged in limited written discovery and document
7 production, the court nevertheless finds that the relatively early stage of the litigation also
8 weighs in favor of granting the stay. Discovery is far from complete. Indeed, the parties
9 have not even scheduled, let alone taken, any depositions. The claim construction
10 hearing has not yet taken place, and the parties have not yet submitted claim construction
11 briefs. The trial is not scheduled until mid-November 2011. Neither the parties, nor the
12 court, have invested the kind of resources that would render a stay pending reexamination
13 untenable. To the contrary, the fact that substantial additional discovery, claim
14 construction, and other issues lie ahead in this case weighs in favor of a stay.

15 **C. Prejudice to the Non-Moving Party**

16 PBL asserts that it will suffer prejudice due to the length of time it takes for a
17 patent to wind its way through the reexamination process. (Resp. at 8.) There is no
18 doubt that if the stay is granted, delay will result. PBL asserts that, based on the
19 USPTO's own report, it takes an average of more than two years for a patent
20 reexamination to be completed. (*Id.* at 8 (citing Harlow Decl. (Dkt. # 36) Ex. H.) Courts
21 have repeatedly held that the delay inherent in the reexamination process does not, by
22 itself, constitute undue prejudice. *See Implicit Networks*, 2009 WL 357902, at *3 (citing

1 cases). In any event, the USPTO order stated that the reexamination “will be conducted
2 with special dispatch.” (Mot. at 10 (citing Scott Decl., Ex. 12 at 2); *see also* USPTO
3 Order (Dkt. # 28-1) at 2.) “[T]he [US]PTO has interpreted special dispatch to require
4 that ‘reexamination proceedings will be “special” throughout their pendency’ in the
5 office, and provides for an accelerated schedule.” *Ethicon*, 849 F.2d at 1426 (citing
6 MPEP § 2261). Moreover, USPTO rules require that reexamination of patents involved
7 in litigation “will have priority over all other cases.” (Mot. at 10 (citing MPEP § 2261).)
8 In addition, if the present litigation is stayed pending reexamination, the USPTO will
9 further expedite the procedure. *See Roblor Mktg. Group, Inc. v. GPS Indus., Inc.*, 633 F.
10 Supp. 2d 1341, 1348 (S.D. Fla. 2008) (citing MPEP § 2261 and MPEP § 2686.04). Thus,
11 it does not appear that the average length of time for reexamination, relied upon by PBL
12 as evidence of prejudice, is necessarily applicable here.

13 PBL asserts that because Pretika is its direct competitor in the market place, a stay
14 is more likely to unduly prejudice PBL. (*Id.* at 6.) PBL argues that Pretika is not only
15 infringing on its patent, but simultaneously undercutting PBL’s prices, creating a serious
16 threat of both lost market share and price erosion that is not fully remediable with money
17 damages. (*Id.* at 6-7.) PBL’s assertion that it will be prejudiced with further loss of
18 market share and price erosion by the delay engendered by a stay is contradicted by its
19 own delay in pursuing its infringement claim. PBL admits that it first notified Pretika, in
20 December 2006, of potentially infringing activity based on the patent application that
21 eventually issued as the ‘691 patent, and that the USPTO issued the ‘691 patent on
22 January 22, 2008. (*See* Resp. at 4.) Nevertheless, it was not until February 8, 2010 that

1 PBL filed its patent infringement complaint, and not until March 12, 2010 that PBL
2 served that complaint on Pretika. Thus, PBL waited more than three years following its
3 initial formal notification to Pretika, and more than two years following issuance of the
4 '691 patent, before initiating its infringement suit against Pretika. PBL's prior lack of
5 urgency in this matter belies its insistence that the litigation move forward with all
6 dispatch now. *See e.g. O'Keefe's, Inc. v. Tech. Glass Prods.*, No. C 07-03535 JF, 2007
7 WL 4105976, at *2 (N.D. Cal. Nov. 16, 2007) (rejecting possible prejudice argument in
8 part because plaintiff had already waited more than a year since the issuance of its patent
9 to commence its infringement action). Further, PBL has not sought any form of
10 preliminary injunctive relief in this action, which further undermines its position and
11 suggests that a stay would not be unduly prejudicial. *See Insituform Techs., Inc. v. Liqui-*
12 *Force Servs. (USA), Inc.*, No. 08-11916, 2009 WL 1469660, at *2 (E.D. Mich. May 26,
13 2009) (plaintiff's failure to move for temporary restraining order or preliminary
14 injunction was a factor in court's finding that a stay pending patent reexamination would
15 not be unduly prejudicial) (citing cases)).

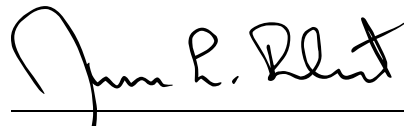
16 Finally, the court also rejects PBL's assertions that Pretika delayed in filing its
17 request for reexamination as a dilatory tactic in this litigation, or to gain a strategic
18 advantage. Pretika was not served with this lawsuit until March 12, 2010. It filed its first
19 application for reexamination in on May 14, 2010, and its second on June 25, 2010.
20 Pretika also filed motions for a stay following each of these applications, but withdrew
21 those motions when later notified by the USPTO that its applications for reexamination
22 were not in compliance. Pretika filed a compliant application in August 2010, and filed

1 the present motion for a stay on October 7, 2010 – just one week after learning that the
2 USPTO had granted its application for *ex parte* reexamination of the ‘691 patent. While
3 the defective nature of Pretika’s first two reexamination applications is unfortunate, the
4 court does not find Pretika’s efforts to be dilatory in nature or designed to gain a strategic
5 advantage over PBL. Thus, the court finds that PBL is not likely to suffer any undue
6 prejudice if the court were to enter a stay pending the outcome of the reexamination.

7 IV. CONCLUSION

8 Based on the foregoing, the court GRANTS Pretika’s motion for a stay of these
9 proceedings pending reexamination of the ‘691 patent (Dkt. # 29). It is hereby
10 ORDERED: (1) all proceedings in this action are STAYED until ordered otherwise; and
11 (2) within six months of the date of this order or within twenty days following the
12 conclusion of the USPTO reexamination of the ‘691 patent, whichever is sooner, the
13 parties shall file a joint status report describing the status of the case, and if warranted,
14 requesting that the court lift the stay.

15 Dated this 9th day of January, 2011.

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18 JAMES L. ROBART
19 United States District Judge
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